

## III REAL ESTATE

# Aspen to build new Calgary office tower

## Ready to start without main tenant

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The office development boom in Calgary is speeding ahead, with privately held **Aspen Properties Ltd.** set to build an 18-storey building at the eastern end of the downtown, south of the Calgary Tower.

The development, Palliser South, will be linked to the city's core by a walkway over the railway lines that run through the city centre, and is the latest in a string of office developments in the city to be started without a main tenant.

"We just believe in the market," said Scott Hutcheson, Aspen's chief executive officer. "This is the part of Calgary that is changing the most."

The new tower, on 10th Avenue, is blocks away from the planned new headquarters of EnCana Corp. in a part of the city that is experiencing a major makeover.

The Palliser South development will include a main tower that will rise over an existing parking structure as well as a smaller medical building and a new front for the

garage. It is part of a redevelopment plan for the Calgary Tower complex, which Calgary-based Aspen acquired last year.

Work on Palliser South is expected to be completed by June, 2009, because no excavation is needed for parking.

In the past two years, demand has soared in Calgary's office market, making it one of the hardest markets in the world in which to find prime space. It has pushed rental rates to the highest in the country.

Average rent for a top-tier, downtown office space was \$43-a-square-foot at the end of the first quarter, according to the most recent figures from real estate advisers CB Richard Ellis. Vacancy rates for the downtown were 1.2 per cent during that same period.

Those familiar with the industry say the most desirable space available today in downtown towers goes for more than \$50-a-square-foot. There is even talk that \$60-a-square foot deals are in the works. The national average for downtown



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space in the first quarter was about \$20.

Rising rates have prompted many companies to look to new construction to fill their expansion needs, and have started a flurry of new developments. Rates per foot for buildings now under construction are in the mid-\$30 range, industry

executives say.

Mr. Hutcheson said rents in that range make Palliser South economically viable, even with rising construction costs, because extensive excavation work will not be required.

The first wave of new buildings in downtown Calgary is set to open by

year-end. All are fully leased. Other major projects are to be completed in 2008 and 2009, and some are still hunting for tenants. They include Centennial Place, a project of Toronto-based Oxford Properties Group Inc., and Jamieson Place, which is under development by Bentall Capital LP of Toronto and

Vancouver, and British Columbia Investment Management Corp. of Victoria.

Mr. Hutcheson said tenants in the current market want to see construction started on projects before they will commit to a lease. "You have got to commence building to get the confidence of tenants."